

The Manufacturer's Purchase Credit may be used to satisfy Use Tax or Service Use Tax liability incurred on the purchase of qualifying production related tangible personal property. See 86 Ill. Admin. Code 130.331. (This is a GIL).

September 17, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated June 24, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

I am writing to you to request a ruling on the following questions as they relate to the Manufacturers Purchase Credit Earned.

COMPANY is an electroplater for the fastener industry. We receive fasteners from our customers and plate them according to their specifications. All orders are examined prior to shipment for quality assurance.

Many of our orders come in and require plating to a certain thickness or require post-processing certification testing. COMPANY has special quality control equipment (i.e. x-ray machines, thread gauges etc.) which allow us to examine and or certify the end product. The quality control equipment is also used to test zinc thickness in routine production. We estimate that between 60 and 80 percent of our orders require the use of quality control equipment with the balance of the orders being examined visually.

Question #1: Does the quality control equipment we purchase (i.e. x-ray machines, thread gauges etc.) qualify as M & E used in the manufacturing process and therefore can be purchased as tax exempt and be included in the earnings of Manufacturers Purchase Credit?

We also have a wastewater pre-treatment system for which, as a pollution control device, the machinery and equipment and replacements parts qualify for sales tax exemption.

Question #2: Does the machinery and equipment and replacements parts purchased for the waste treatment system also qualify as M & E used in the manufacturing process and can therefore be purchased as tax exempt and be included in the earnings of MPC?

If you need any additional information please contact me.

For general information purposes we have enclosed a copy of 86 Ill. Adm. Code 130.331, the Department's regulation on the Manufacturer's Purchase Credit. The Manufacturer's Purchase Credit (the credit) may be used to satisfy a manufacturer's or graphic arts producer's Use Tax or Service Use Tax liability incurred on the purchase of qualifying "production related" tangible personal property. See 86 Ill. Adm. Code 130.331(b). The credit may only be applied to the 6.25% State rate of tax incurred.

Manufacturers may earn the credit by purchasing exempt manufacturing machinery and equipment. Machinery or equipment can qualify for the manufacturing machinery and equipment exemption by meeting the guidelines set out in 86 Ill. Adm. Code 130.330, enclosed.

Regarding your first question about quality control equipment, please be advised that equipment used to inspect, test or measure the tangible personal property to be sold can qualify as exempt manufacturing machinery or equipment where such function is an integral part of the production flow. See Section 130.330(d)(3)(c).

The answer to your Question #2 is no. This is because if the wastewater pre-treatment system were to qualify for sales tax exemption it would be as a pollution control facility pursuant to 86 Ill. Adm. Code 130.335, copy enclosed, and not as manufacturing or graphic arts production machinery and equipment. The statute only authorizes the earning of the credit through the purchase of qualifying machinery and equipment used primarily in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease or machinery or equipment used primarily for graphic arts production. See 35 ILCS 105/3-5 and 3-85.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.